

Budget Unit Brief

FY 2017



Consumer Fraud Refunds

Purpose

The [Attorney General](#) is charged with the enforcement of Iowa Code section [714.16](#), the Consumer Fraud Act. The Consumer Fraud Refunds Account is primarily a holding account, with receipts disbursed to consumers that have been defrauded. Authority for administration of the fund is in Iowa Code section [714.16\(7\)](#).

Funding

Receipts to the Fund vary significantly from year to year, depending on consumer fraud settlements and judgments. From FY 2010 through FY 2013, receipts averaged approximately \$600,000 annually, ranging from a low of approximately \$113,000 in FY 2010 to a high of approximately \$1.2 million in FY 2013. Expenditures averaged approximately \$921,000 during this four-year reporting period, ranging from a low of approximately \$318,000 in FY 2011 to a high of \$2.0 million in FY 2012. Expenditures consist primarily of reimbursements to victims of consumer fraud.

Reimbursements to the Office of the Attorney General

Expenditures also include reimbursements to the Office of the Attorney General, with a five-year average of approximately \$54,000 annually. Reimbursements to the Office of the Attorney General cover costs associated with the enforcement of Iowa Code chapter [714](#).

FY 2014 Receipts and Expenditures

The FY 2014 receipts were approximately \$48.5 million and included several judgments and settlements of significant amounts, such as:

- Vertrue, Inc. – \$32.7 million court judgment for violations of state consumer protection laws related to buying club memberships.
- JC Penney Direct Marketing Services, Inc. and Stonebridge Benefit Services, Inc. – \$2.7 million to settle alleged violations of state consumer protection laws related to buying club memberships.
- Affinion Group, Inc. – \$5.0 million to settle alleged violations of state consumer protection laws related to buying club memberships.
- Ashford University and parent company Bridgepoint Education, Inc. – \$7.3 million to settle allegations that the for-profit online school violated consumer protection laws.

The FY 2014 expenditures include approximately \$409,000 in professional and scientific services. The majority of this expense, approximately \$370,000, was for an administrative support contract to distribute approximately 367,000 warrants to consumers as refunds from the buyers' club membership cases. An additional \$23,000 funded an expert witness for the buyers' club settlements. Expenditures also included approximately \$541,000 to reimburse victims of fraud, and \$25,000 in reimbursements to the Office of the Attorney General. The FY 2014 balance brought forward to FY 2015 was approximately \$48.2 million. These funds are to be refunded to victims of consumer fraud.

Related Statutes and Administrative Rules

Iowa Code chapter [13](#) and section [714.16](#)
[61](#) Iowa Administrative Code

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More Information

Office of the Attorney General: <https://www.iowaattorneygeneral.gov/>

Iowa General Assembly: <http://www.legis.iowa.gov/index.aspx>

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